



**GREATER CHARLOTTETOWN AREA
CHAMBER OF COMMERCE**

**PROVINCE OF PRINCE EDWARD ISLAND
MINIMUM WAGE REVIEW**

**SUBMITTED TO
Employment Standards Board
September 15, 2017**



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Donald MacCormac, Chair
Attn: Hazel Walsh
Employment Standards Board
P.O. Box 2000
Charlottetown, PE C1A 7N8

Re: Request for Submissions regarding the Prince Edward Island Minimum Wage Review

Dear Mr. MacCormac,

On behalf of the Greater Charlottetown Area Chamber of Commerce, thank you for the opportunity to share the views of our close to 1,000 members regarding the minimum wage rate on Prince Edward Island.

Chamber members continue to express their concerns related to the minimum wage process in Prince Edward Island. These concerns are born from a process that lacks predictability, transparency, and fairness. When minimum wage hikes fail to meet these criteria, businesses are unable to budget for increased labour costs and have to find new ways to make up for unforeseen expenditures. A growing global economy and a surge of new technology have made this more challenging than ever. Proposed changes to the federal business tax structure are generating further uncertainties among the local business community, as owners and operators must consider, once again, ways to make up for unexpected costs. In many cases, businesses must consider less favorable alternatives to make up for increased expenses:

- 1. Absorb the added cost out of the businesses' profits.** While some businesses may be able to absorb costs from profits, the majority of users of minimum wage labour are in retail and food service. These industries already operate on razor-thin margins (below 3%)¹. There is little room to incur any extra expenses in these businesses, especially if they were not budgeted for.
- 2. Raise prices.** In some cases, business operators have the ability to pass extra costs onto the customer – for others, it is not as easy. Smartphones have resulted in a growing expectation that local retailers should match the prices of major online retailers and box stores such as Amazon, or risk losing a customer's business. In other cases, prices are set far in advance and businesses do not have the ability to adjust them. The tourism industry, for example, has a short window to generate revenue and prices are promoted well in advance of the summer season. This makes it almost impossible to pass the extra cost onto the consumer.

¹ Canadian Chamber 5 Minutes for Business: The Explosive Debate around Minimum Wage



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- 3. Consider ways to reduce the costs of labour by making due with less staff, or finding alternative ways to serve customers.** There are signs of this in retail stores across Prince Edward Island with self-serve check-outs in lieu of hired staff. Members indicate that while they prefer to have staff serve their customers, rising labour costs force them to consider new ways to keep expenses down.
- 4. Change jurisdiction or close business.** In some cases, a business is not able to apply any of the above options to cover extra labour costs. If so, they may be left with no choice but to move to a jurisdiction which they can afford to operate in or close their doors altogether.

Even with the challenges noted, the Chamber supports a living wage for employees. We acknowledge that some evidence suggests modest increases in the minimum wage can be done without disrupting labour markets, but government need to be cautious about hurting competitiveness. To achieve this, the process for increasing minimum wage must be predictable, transparent and fair. These principles reflect the views of our members as expressed in surveys and roundtable discussions. As such, we make the following recommendations with these principles in mind.

1. Predictability: Employers want a process that provides predictability so they can plan, grow, and invest with confidence.

In February of 2017, members were both surprised and frustrated with the lack of notice regarding a third minimum wage increase in less than a year.

The Chamber acknowledges government's decision to mandate April 1st as the scheduled day to increase the minimum wage. While this is helpful, it is critical for business planning that government clearly indicate the new minimum wage rate well in advance of the scheduled increase. The Chamber would like to emphasize the importance of this practice, as it allows businesses to factor adjustments into their annual financial planning.

- *The Chamber recommends that government provide notice of the new minimum wage rate no later than six months prior to the scheduled increase, but suggest that, ideally, the amount of the minimum wage increase should be announced one year in advance.*

2. Fairness: Employers want a process that considers the impact on both employers and employees.

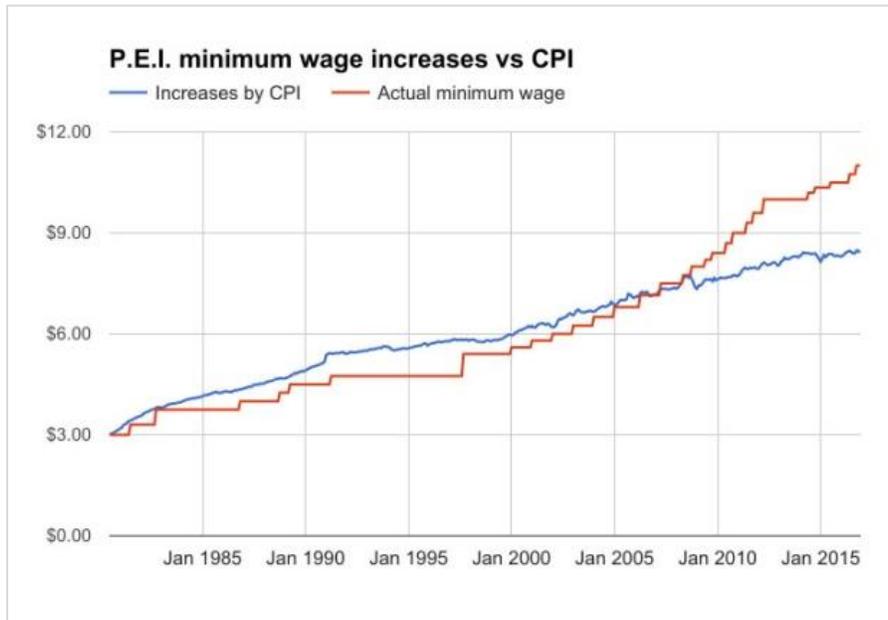
As Table 1 shows, in October 1982, mandated minimum wage increases fell behind the consumer price index (CPI). This remained the case until April 2006. After this time, minimum wage increases in the province mostly aligned with CPI until October 2008. Since October 2008, PEI's minimum wage has



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increased at a much higher rate than CPI. From then until now, the minimum wage has increased 41%², while the CPI only rose 12%³. This has put extra pressures on business owners whom, due to competition, must maintain low prices despite the rising costs of doing business.

Table 1 - PEI minimum wage increase vs CPI⁴



- *The Chamber recommends that government mandate future increases to minimum wage be tied to increases in the consumer price index.*

The Chamber also encourages government to consider alternative methods to improve the situation for employees. While the Chamber acknowledges that the government recently increased the personal tax exemption by 2%, PEI's exemption rate is still the lowest in the country. It's also one of the only provinces which does not automatically increase the basic personal tax exemption at the rate of inflation.

- *The Chamber recommends that the province continue to increase basic personal tax exemption, and tie any further increases to the consumer price index.*
- *The Chamber also recommends that the province put in place annual indexing of personal income tax brackets to remove the hidden tax hike that minimum wage earners experience every year due to inflation and the low basic personal exemption. This will put more money in the pockets of employees without negatively impacting employers.*

² https://www.princeedwardisland.ca/sites/default/files/publications/minimum_wage_history.pdf

³ <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/econ150a-eng.htm>

⁴ <http://www.cbc.ca/news/canada/prince-edward-island/pei-minimum-wage-cpi-1.3996209>



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3. **Transparency:** Employers require a process that is open and understandable.

It is critical that minimum wage increases are carried out in a manner that is open and engages all impacted parties. A way to achieve this is by putting in place a strategy that identifies and makes public any plans to support the minimum wage system on a long-term basis.

- *The Chamber recommends that government develop a long-term strategy for minimum wage as a way to create a process that is open and transparent. This strategy should include a thorough review of the methodology for determining minimum wage, open consultation with community stakeholders, and explore alternative models and best practices in other jurisdictions.*

Overall, employers want a process that ensures PEI's competitiveness. Decisions around minimum wage should not discourage investment, economic growth, or job creation. Thank you for your consideration of the views of our members on this important business and community issue.

Respectfully submitted,

Rory Francis
President, GCACC

Penny Walsh McGuire
Executive Director, GCACC